

FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: February 19, 1996

SUBJECT: **SB 2507 - HB 2597**

This bill, if enacted, will create the *Local Education Funding Equity Act of 1996* which:

1. Repeals the local option sales tax law (current statewide average local sales tax rate is 2.25%);
2. Increases the state sales tax from 6% to 8.75% but limits the applicability of the increase (2.75% increase) to the first \$1600 of the price of a single article
3. Raises certain special state sales tax rates by a proportionate amount;
4. Earmarks the increase in state sales tax revenue resulting from this increase to a special K-12 education fund; and
5. Prohibits any local property tax levies or appropriations for the purpose of funding operating cost for K-12 education and shifts the full operating costs for K-12 education onto the state.

The fiscal impact from enactment of this bill is estimated to be an increase in first year recurring state revenues of \$1,483,000,000 and a decrease in first year recurring local government revenues of \$1,149,000,000.

Enactment of this bill is also estimated to result in an increase in first year recurring state expenditures of \$1,583,000,000 and a decrease

in first year recurring local government expenditures of \$1,501,000,000.

Details are shown below:

Revenues:

2.75% on local tax base (\$49.2 B)	\$1,353,000,000
2.75% on state fully taxable energy sales (\$1B)	28,000,000
2.75% on energy sales now taxable at 1.5%(\$1.8B)	50,000,000
Inc. in tax on single article sales	32,000,000
Other increases	<u>20,000,000</u>
Total Increase in State Revenues	\$1,483,000,000

**Total Dec. in Local Sales Tax Revenues FY 94-95
was \$1,064,000,000 (Assume 8% increase) \$1,149,000,000**

Expenditures:

Increase state level expenditures ¹	
1995/96 local expenditures	\$1,501,000,000
Increase salary & insurance to \$28,094	89,000,000
Add 44 Supt. (139-95). salary x \$72,300	<u>3,000,000</u>

Total Inc. in State Level BEP Expenditures \$1,593,000,000

¹One-time state expenditures will also be incurred for systems costs of \$46,000.

This is to duly certify that the information contained herein is true
and correct to the best of my knowledge.



James A. Davenport, Executive Director